

U.S. House of Representatives
Committee on Agriculture
Washington, DC 20515

February 27, 2002

The Honorable Jim Nussle, Chairman
House Committee on Budget
309 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), we are including below the recommendations of the Committee on Agriculture with respect to agriculture programs within the Committee's jurisdiction.

With the challenges that U.S. agriculture continues to face, the Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policy that will keep American agriculture and rural communities strong.

The Committee appreciates very much the support of the Budget Committee last year in obtaining much needed extra funding for a new farm bill. Of the \$79 billion made available in the FY 2002 Budget Resolution for Fiscal Years 2001-2011, \$5.5 billion was used for market-loss and other emergency assistance in Fiscal Year 2001. This left \$73.5 billion in additional spending over Fiscal Years 2002-2011 under a new farm bill.

Events have shown that the Budget Committee was very prescient last year in providing additional long-term funding for agricultural assistance. The need for assistance has not lessened. As Chart 1 shows, crop prices are still well below long-term averages. Cotton prices, especially, have shown a large decline over the past year.

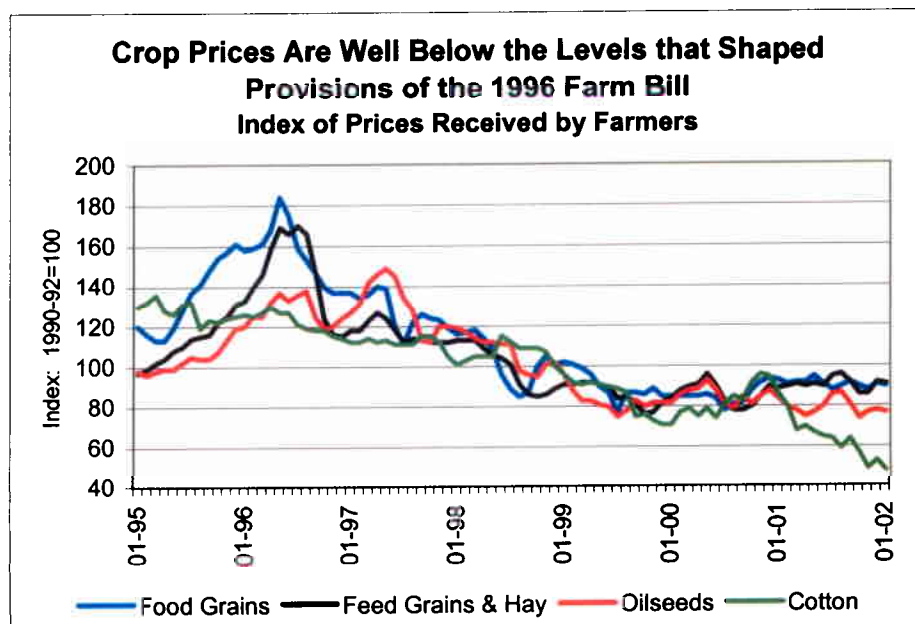
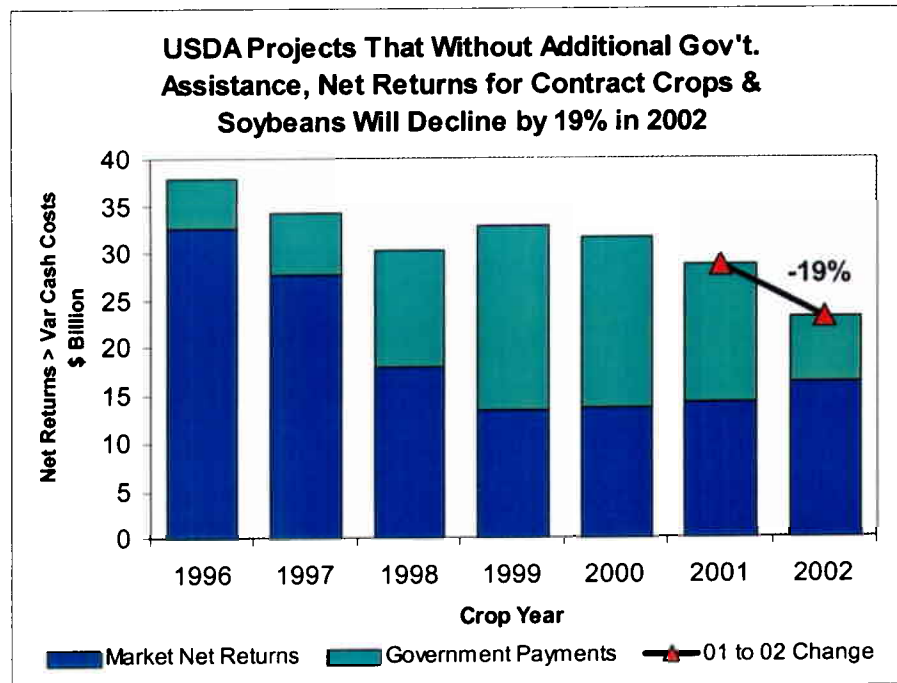


Chart 2 shows net returns above variable cash costs for contract crops and soybeans for crop years 1996 through 2002. Net returns are calculated based on USDA's latest baseline estimates. These estimates show that without a new farm bill or other legislation, net returns for these crops are projected to fall by 19 percent from 2001 to 2002.



The reasons behind this decline are beyond the control of individual farmers and our federal farm policy. Good weather worldwide has created commodity surpluses. The U.S. dollar remains strong relative to both our competitors and our customers. U.S. producers continue to compete on an uneven playing field, facing much higher tariffs on our exports to other countries than other countries face on their exports to us. The goal of our farm policy should be to provide a safety net so that our producers and others in the agricultural sector are helped through the difficult times. The farm bill passed by the House does this.

The House Agriculture Committee has worked very diligently in hopes of having a new farm bill enacted in time for it to take effect for 2002 crops. After numerous hearings last spring and summer, the Committee passed H.R. 2646—the Farm Security Act—on July 26, 2001 by a unanimous voice vote. The full House passed H.R. 2646 on October 5, 2001 after two days of debate with a substantial bi-partisan majority. H.R. 2646 is a balanced bill—providing appropriate balances between immediate and long-term benefits; among commodity, conservation, and other programs; and across regions. Unfortunately, the Senate was unable to complete action on its farm bill until February 13, 2002. We currently are in conference and it is not clear when we will finish.

President Bush's administration continues to support the use of \$73.5 billion for a new farm bill and explicitly provided that level of spending in the FY 2003 President's Budget. The Administration also supports using some of the \$73.5 billion for an additional year of emergency assistance if we are unable to finish the farm bill conference in time to cover 2002 crops. We hope that this is not necessary but will prepare legislation to do so if needed.

The Honorable Jim Nussle

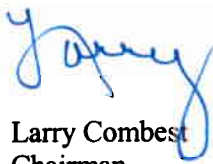
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If the farm bill is not passed before the FY 2003 budget resolution is passed, we request that funding consistent with the \$73.5 billion in additional funding provided by the FY 2002 resolution be carried over in the new resolution. As with crop insurance in the FY 2001 budget resolution, this would allow the completion of the process that the House has been ready to complete since passing its farm bill in October 2001.

In closing, we appreciate very much your support and that of the Budget Committee in providing funding to make needed long-term improvements in agricultural policy. We are doing our very best to make these improvements a reality and to write policy that will stand the test of time.

Sincerely,

A handwritten signature in blue ink, appearing to read "Larry", with a stylized flourish at the end.

Larry Combest
Chairman

A handwritten signature in blue ink, appearing to read "Charlie", with a stylized flourish at the end.

Charles W. Stenholm
Ranking Minority Member